Minutes of the Executive Compensation Committee of
The Board of Directors of CareFirst, Inc., held via telephone
July 9, 2001

Members Present: Joe Haskins, Ed Baran, Hanan Sibel and George Wilkes

Also Present: Dan Altobello and William Jews

The committee reviewed its previous discussions and separated their decisions into 5 categories:

1. Associate Benefits and Incentives
2. Stay on Retention Bonus for Non-Contractual Management
3. Contractual Obligations Previously Earned
   - SERP
   - Long Term Incentive Plan
4. Change of Control Payment
5. Merger Incentive

- ❑ Associate Benefits
  - Represented that we would not do this deal on the backs of our associates since "they got us where we are today."
  - Have positioned that we want to maintain our associates pension and incentive plans.
  - This could be a problem for WellPoint. Their actuaries are reviewing this now.
- ❑ Retention Bonus - 67 People
  - Maintain Stability of Operations
  - Minimize Risk of Talent Defection
- ❑ Contractual Obligations
  - SERP and Long-Term Incentive (LTIP)
  - Amounts were earned and vested over a number of years
- ❑ Change of Control Payments
  - Contractual Obligation
  - Pays out if executive leaves within 24 months after closing
- ❑ Merger Incentive
  - Creates an incentive to close a transaction favorable to stakeholders
  - Represents a percentage of the purchase price

An additional topic was introduced by Bill Jews with respect to the retention of the executive vice presidents.

- Contract Amendment Consideration

  - Retention of the Executive Vice Presidents is necessary for a period of time after closing to:

    — Maintain value of the company

    — Ensure smooth integration with Strategic Partner

    — Provide stable environment for associates

  - Recommend executives defer a decision to trigger their change of control for 12 months after closing

    — The merger incentive will be paid to the EVP as consideration for this deferral of the change of control

    — Merger incentive will be paid 12 months after closing

The committee approved the recommendation to amend the contracts as proposed.

Respectfully submitted,

Sharon J. Vecchioni

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CareFirst BlueCross BlueShield
10455 Mill Run Circle
Owings Mills, MD 21117

Memo

CareFirst BlueCross BlueShield

To: Dan Altobello, Joseph Haskins, Ed Baran, Hanan Sibel, and George Wilkes

From: Sharon Vecchioni

Subject: July 9th Compensation Committee Conference Call

Date: July 6, 2001

Copy: Bill Jews

Enclosed are the following materials for the Compensation Committee conference call scheduled for Monday, July 9th at 5:00 p.m.:

- Agenda
- Review of June 12th Compensation Committee
- Draft Compensation Materials for July 16th Strategic Planning and Finance Committee

Additional materials may be faxed to you on Monday. The call in number is 1-888-742-8686. The conference ID number is 1954006.

Thank you.

COMPENSATION COMMITTEE

Conference Call with
Altobello, Haskins, Baran,
Sibel, and Wilkes
July 9, 2001
5:00 p.m.

AGENDA

- ❑ Trigon Update
- ❑ WellPoint Update
- ❑ Compensation Discussion
  - Review of June 12th Compensation Committee Meeting
  - Draft materials for July 16th Strategic Planning and Finance Committee

June 12th, 2001 COMPENSATION COMMITTEE REVIEW

Three decisions made by Compensation Committee during the June 12th meeting

1. Must maintain Associate Pension Plan for existing associates
2. Must mitigate the loss of an Associate Incentive Plan
3. Executives would not be required to amend their existing contracts

- **Compensation Committee Decisions**

1. Must Maintain Associate Pension Plan
   — Do not want to negatively affect associates and put ourselves in an impaired position relative to the marketplace

   — Average associate – 25% reduction

   — Greatest affect on older workers – 50% - 75% benefit reduction

   — ($7.7 million annual)

   — Current CareFirst pension plans fully funded
   – Average years of service:
   WP – 6 years, CF – 9 years, Dela. – 13 years

   - Decision: Grandfather all existing CareFirst associates in current retirement plan. Associates hired after closing can go into WellPoint Plan.

2. Mitigate the Loss of Associate Incentive Plan below Director level

   — Loss for associates from 4-15% of pay
   — Associate earning
   — (13.6 million -$17.0 million)
   (Range estimates Delaware associate impact)

   Two Approaches:
   - Maintain current incentive plan as a "best practice." (This is the preferred approach.)

   - Provide salary increases to associates for loss of plan

   - **Decision: Reconcile Issue by Retaining Incentive Program or Increasing Base Pay**